

W. T. GRANT COMPANY
ANNUAL REPORT
1940

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W. T. GRANT COMPANY
ANNUAL REPORT
1940 Fiscal Year

To be submitted to the
Annual Meeting of Stockholders
April 15, 1941
1441 Broadway, New York, N. Y.

BOARD OF DIRECTORS

William T. Grant, <i>Chairman</i>	Clayton E. Freeman
John G. Byler	Karl D. Gardner
Joseph W. Chinn	John M. Hancock
Howland S. Davis	James L. O'Neill
Fred H. Edgecomb	Robert R. Updegraff
Raymond H. Fogler	William B. Warner

OFFICERS

William T. Grant
Chairman of the Board

Karl D. Gardner <i>Chairman of the Executive Committee</i>	Raymond H. Fogler <i>President and General Manager</i>
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Fred H. Edgecomb, *Vice-President*

Louis C. Lustenberger, *Vice-President*

John G. Byler, *Vice-President and Treasurer*

George I. Mason, *Secretary*

Robert A. Seidel, *Comptroller*

M. F. Ketz, *Assistant Comptroller*

S. B. Stanley, *Assistant Secretary*

Executive Office

1441 Broadway, New York, N. Y.

Transfer Agent

Guaranty Trust Company
of New York

Registrar

Bankers Trust Company
New York, N. Y.

New York, N. Y., March 19, 1941

To the Stockholders of the W. T. Grant Company:

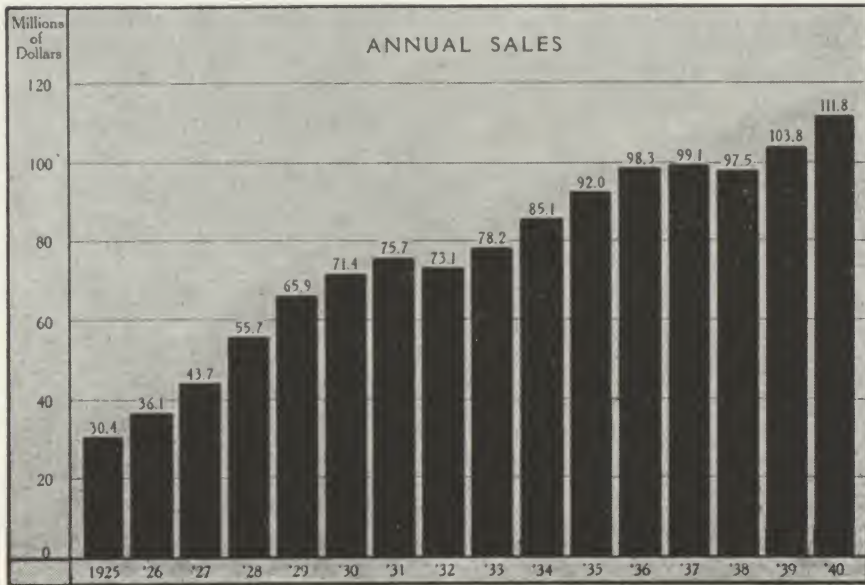
Some of the more important factors in connection with the operation of your company during the fiscal year ended January 31, 1941 follow:

SALES

Sales of \$111,774,965 were the largest in the company's history. This is an increase of \$8,013,280, or 7.7% over the \$103,761,685 of the previous year.

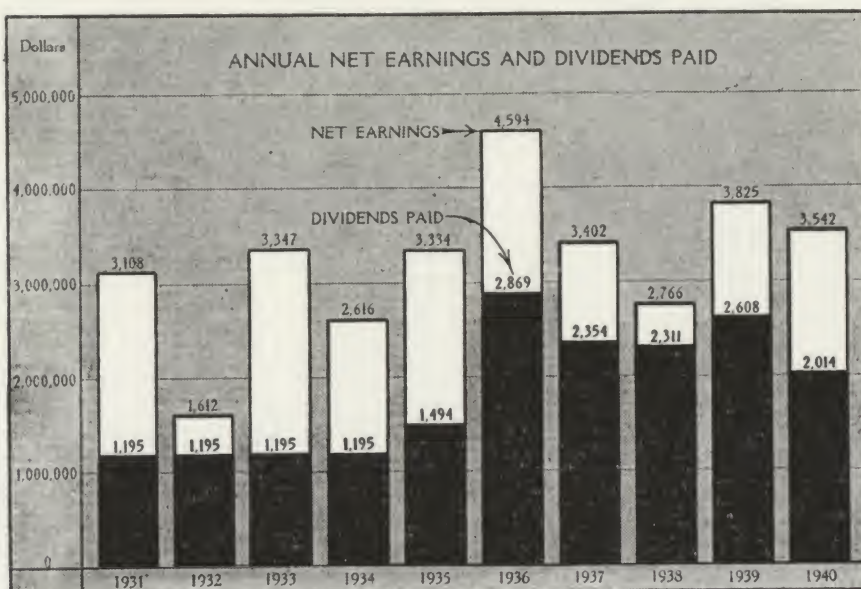
PROFIT

Profit for the year was \$3,542,211. This was a decrease of \$282,785 from the \$3,824,996 profit of the previous year. Earnings per common share after provision for the \$1.00 annual dividend on the preferred stock were \$2.68 compared to \$2.92 for the previous year.



DIVIDENDS

The full dividend of \$1.00 per share was paid on the preferred stock. Four quarterly dividends of 35 cents were paid on the common stock, a total for the year of \$1.40 per share. For the previous year \$1.90 per share was paid on the common stock. It was the opinion of your directors that a larger common stock dividend for the past year would have been unwise in view of the lower profit, the need for additional funds to provide for increased inventories and store modernization, the uncertain economic conditions and added taxes.



FINANCIAL CONDITION

On January 31, 1941, current assets of the company were \$26,734,407 including \$8,716,863 in cash, as compared with current liabilities of \$6,863,686. Working capital at the year end was \$19,870,721, an increase of \$1,094,840 during the year.

Surplus increased by \$1,562,533 during the year and was \$18,708,661 on January 31, 1941.

INVENTORIES

Merchandise inventories at the end of the year as shown on the balance sheet were \$17,782,398, an increase of \$4,494,792 over the amount shown at the end of the previous year. A substantial part of the increase is merchandise in transit from sources to stores, an item not shown on the balance sheet of previous years. The additional increase in inventories was required because of increased sales and because of earlier arrival in the stores of some lines of seasonal merchandise. The long established policy of your company of maintaining a conservative inventory position is being continued. Inventories are priced at cost or market, whichever is lower.

TAXES

Total taxes were \$3,826,462. This does not include \$738,865 in sales taxes collected from customers and paid to the various municipalities and states for which collected, nor does it include \$147,905 unemployment and social security taxes withheld from employees' salaries and wages, which amount was transmitted to the State and Federal Governments.

Federal income taxes were \$1,526,000, an increase of \$566,000 over the amount paid the previous year. The increase in this item of taxation is greater than the decrease in profit. Net profit before Federal income taxes was \$5,068,211 for 1940 compared to \$4,784,996 for 1939.

NUMBER OF STORES

During the year new stores were opened in Denver, Colorado; Cleveland, Ohio; Milwaukee, Wisconsin; and Amsterdam, New York. Four small unprofitable stores were closed. The number of stores was the same at the beginning and end of the year: 492.

CORPORATE SIMPLIFICATION

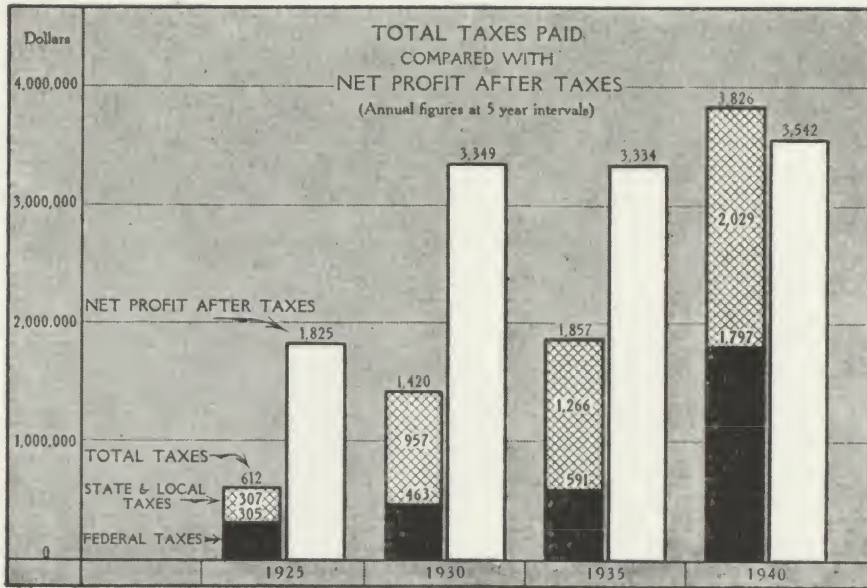
At the close of business January 31, 1941, the W. T. Grant Company, incorporated in Massachusetts, which was formerly the operating company, was liquidated into the parent company, W. T. Grant Company, a Delaware corporation. The stock now outstanding in the hands of the public is the stock of the W. T. Grant Company, the Delaware corporation, which now owns all of the physical assets and operates the stores of the company. The sole subsidiary of the company is the W. T. Grant Realty Corporation, in whose name properties owned in fee are purchased.

Your management welcomes any inquiry or suggestion from the stockholders relating to the company's affairs.

RAYMOND H. FOGLER,
President and General Manager

WILLIAM T. GRANT,
Chairman of the Board of Directors

KARL D. GARDNER,
Chairman of the Executive Committee



This chart compares "Taxes Paid" with "Net Profit after Taxes." A trend over 15 years is shown by using five year intervals. Taxes shown are divided between "Federal Taxes" and "State and Local Taxes," both showing continued increases, particularly between 1935 and 1940.

Sales taxes collected from customers and social security taxes collected from employees have not been included.

In 1940, for the first time, Total Taxes exceeded Net Profit.

W. T. GRANT

(A Delaware

AND SUBSIDIARIES

CONSOLIDATED

January

ASSETS

CURRENT ASSETS

Cash	\$ 8,716,862.54	
Accounts receivable	235,146.19	
Merchandise inventories, including merchandise in transit—\$960,605.23 (at not in excess of cost or market, whichever is lower)	<u>17,782,398.26</u>	\$26,734,406.99

OTHER ASSETS

Cash surrender value of life insurance	\$ 1,390,770.08	
Advances to and security deposited with landlords—to be repaid over a term of years	464,869.40	
Real estate mortgages receivable	351,000.00	
Amounts expended on building construction—to be repaid by owners	30,295.09	
Deposit on purchase of property	63,000.00	
Employees notes and accounts receivable (partly secured)	29,872.22	
Sundry accounts, claims and investments; funds in closed banks and restricted balances (less reserve of \$66,196.30)	<u>5,188.54</u>	2,334,995.33

STORE PROPERTIES, FIXTURES AND IMPROVEMENTS

(At Cost)

Land	\$ 5,087,856.29	
Buildings	\$2,879,838.60	
Less reserve for depreciation	<u>830,696.75</u>	2,049,141.85
Furniture and fixtures	\$6,751,272.28	
Less reserve for depreciation	<u>3,344,974.23</u>	3,406,298.05
Alterations and improvements to leased properties (this amount is being amortized over a period not in excess of the term of the leases involved)	<u>6,134,144.50</u>	16,677,440.69

DEFERRED CHARGES

Prepaid taxes, rents and insurance, supplies, etc	<u>1,356,980.11</u>
	<u>\$47,103,823.12</u>

NOTE:—The subsidiary, W. T. Grant Realty Corporation, is contingent by it covering three store properties subsequently sold subject to the balance of import letters of credit issued for the year ending December 31, 1941. There are no other contingent liabilities except those

W. T. GRANT COMPANY

(Corporation)

W. T. GRANT COMPANY

BALANCE SHEET

December 31, 1941

LIABILITIES

CURRENT LIABILITIES

Accounts payable, including liability for merchandise in transit	\$ 4,216,350.57	
Real estate mortgages and mortgage bonds payable within one year	171,900.00	
Accrued accounts	958,372.57	
Provision for federal taxes on income, estimated	<u>1,517,062.60</u>	\$ 6,863,685.74

DEFERRED LIABILITIES

Real estate mortgages and mortgage bonds payable 1942 to 1954	\$ 2,367,275.00	
Tenants deposits under leases	<u>16,840.01</u>	2,384,115.01

RESERVES

For repainting stores	\$ 252,196.37	
For flood losses	<u>24,750.00</u>	276,946.37

CAPITAL STOCK AND SURPLUS

Capital stock:

5% Cumulative Preferred — par value \$20.00 per share, redeemable at \$22.00 per share: Authorized 400,000 shares; issued or to be issued— 350,138½ shares (including 1,294¾ shares in treasury)	\$6,976,875.00	
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Common - par value \$10.00 per share: Authorized 1,500,000 shares; issued or to be issued— 1,190,554 shares (including 1,200 shares in treasury)	<u>11,893,540.00</u>	\$18,870,415.00
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Surplus (of which \$15,295,784.13 was earned prior to formation of the parent company on November 27, 1937, and \$3,412,876.87 was earned subsequently)	<u>18,708,661.00</u>	<u>37,579,076.00</u>
		<u>\$47,103,823.12</u>

ly liable on mortgages, aggregating \$259,400.00 at date of sale, created t thereto and now under lease to and occupied by W. T. Grant Com- the account of W. T. Grant Company amounted to \$24,336.58 at January e incident to the normal course of the companies' business.

W. T. GRANT COMPANY

(A Delaware Corporation)

AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS STATEMENT

Fiscal Year Ended January 31, 1941

SALES		\$111,774,964.85
COST OF MERCHANDISE SOLD AND OPERATING EXPENSES		105,198,849.38
		<u>\$ 6,576,115.47</u>
OTHER DEDUCTIONS, less sundry income of \$50,014.69		135,600.19
		<u>\$ 6,440,515.28</u>
DEDUCT:		
Provision for depreciation and amortization of leasehold improvements	\$1,335,164.86	
Interest paid, less interest earned of \$69,043.54	37,139.73	1,372,304.59
PROFIT BEFORE FEDERAL TAXES ON INCOME		<u>\$ 5,068,210.69</u>
Provision for federal income and defense taxes	\$1,407,000.00	
Provision for federal excess profits tax	119,000.00	1,526,000.00
NET PROFIT		<u><u>\$ 3,542,210.69</u></u>

CONSOLIDATED SURPLUS

Fiscal Year Ended January 31, 1941

BALANCE at February 1, 1940		\$ 17,146,128.48
ADD:		
Net profit for year	\$3,542,210.69	
Unused provision for 1937 reorganization expenses	34,247.43	3,576,458.12
		<u>\$ 20,722,586.60</u>
DEDUCT:		
Cash dividends:		
On 5% Cumulative Preferred Stock—\$20.00 par value:		
Four quarterly dividends of 25c each, aggregating \$1.00 per share	\$ 348,830.00	
On Common Stock—\$10.00 par value:		
Four quarterly dividends of 35c each, aggregating \$1.40 per share	1,665,095.60	
TOTAL DIVIDENDS		<u>2,013,925.60</u>
BALANCE at January 31, 1941		<u><u>\$ 18,708,661.00</u></u>

March 18, 1941

ROBERT A. SEIDEL,
Comptroller.

AUDITORS' REPORT

To The Board of Directors,
W. T. Grant Company,
New York, N. Y.

We have examined the consolidated balance sheet of W. T. Grant Company (a Delaware Corporation) and its subsidiary as of January 31, 1941, and the consolidated statements of profit and loss and surplus of this Company and its subsidiaries for the year then ended, have reviewed the system of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate.

At the close of business January 31, 1941, the Company acquired the assets and assumed the liabilities of a wholly owned subsidiary, W. T. Grant Company (a Massachusetts Corporation), in accordance with a Plan of Liquidation of such subsidiary, and the accompanying statement of profit and loss includes the operations of that subsidiary for the fiscal year then ended.

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of profit and loss and surplus present fairly the position of W. T. Grant Company and its subsidiary at January 31, 1941, and the results of the operations of the Company and its subsidiaries for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST

New York, N. Y.
March 18, 1941.

W. T. GRANT COMPANY

COMPARATIVE CONSOLIDATED INCOME ACCOUNTS

FISCAL YEAR

(Which ends January 31 of subsequent calendar year)

	1940	1939	1938	1937	1936
SALES	\$111,774,965	\$103,761,685	\$97,516,419	\$99,059,920	\$98,346,043
LESS: Cost of merchandise sold and operating expenses	105,198,850	97,410,413	92,554,683	93,567,638	91,208,494
OTHER DEDUCTIONS (net)	6,576,115	6,351,272	4,961,736	5,492,282	7,137,549
	135,600	174,930	106,249	(78,955)	(46,767)
	6,440,515	6,176,342	4,855,487	5,571,237	7,184,316
DEDUCT:					
Flood losses	—	—	—	—	92,214
Interest paid less interest earned	37,139	55,225	62,694	63,532	63,129
Allowance for depreciation and amortization	1,335,165	1,336,121	1,318,369	1,254,980	1,238,189
Provision for federal income tax	1,407,000	960,000	708,000	700,000	939,405
Provision for federal excess profits tax	119,000	—	—	151,000	257,000
Provision for surtax on undistributed net income	—	—	—	—	—
NET INCOME	\$ 3,542,211	\$ 3,824,996	\$ 2,766,424	\$ 3,401,725	\$ 4,594,379

COMPARATIVE CONSOLIDATED SURPLUS ACCOUNTS

FISCAL YEAR

(Which ends January 31 of subsequent calendar year)

	1940	1939	1938	1937	1936
SURPLUS—BEGINNING OF YEAR	\$17,146,128	\$15,929,588	\$15,488,090	\$22,071,325	\$20,345,798
ADD:					
Net income for year as above	3,542,211	3,824,996	2,766,424	3,401,725	4,594,379
Unused provision for 1937 reorganization expenses	34,247	—	—	—	—
	20,722,586	19,754,584	18,254,514	25,473,050	24,940,177
DEDUCT:					
Preferred dividends	348,830	348,683	348,630	87,278	—
Common dividends	1,665,095	2,259,773	1,962,434	2,266,494	2,868,852
Transfer to capital account	—	—	—	7,607,733	—
Sundry deductions (net)	—	—	13,862	23,455	—
SURPLUS—END OF YEAR	\$18,708,661	\$17,146,128	\$15,929,588	\$15,488,090	\$22,071,325

COMPARATIVE CONSOLIDATED BALANCE SHEETS

AT END OF FISCAL YEAR

(January 31 of subsequent calendar year)

ASSETS:	1940	1939	1938	1937	1936
Cash	\$ 8,716,863	\$ 9,039,744	\$ 9,992,925	\$10,998,361	\$10,574,802
Marketable securities	—	—	35,415	35,415	—
Accounts receivable	235,146	256,315	399,928	170,244	272,166
Merchandise inventories	17,782,398	13,287,606	11,680,798	10,990,658	11,911,012
TOTAL CURRENT ASSETS	26,734,407	22,583,665	22,109,065	22,194,678	22,757,980
Cash surrender value of life insurance	1,390,770	1,288,286	1,198,437	1,058,092	85,999
Advances and security with landlords	464,869	546,756	535,020	510,612	425,723
Miscellaneous investments, employees accounts re- ceivable, etc. (net)	479,356	510,505	360,396	137,516	17,908
Land and buildings, depreciated	7,136,998	7,451,241	7,478,614	6,728,426	6,574,129
Furniture and fixtures, depreciated	3,406,298	3,129,346	3,054,721	2,968,408	2,806,609
Alterations and improvements (net)	6,134,145	5,586,361	5,393,354	5,179,068	5,149,934
Deferred charges	1,356,980	1,164,136	1,052,119	922,856	799,523
TOTAL ASSETS	\$47,103,823	\$42,260,296	\$41,181,727	\$39,699,656	\$38,617,805
LIABILITIES AND CAPITAL:					
Accounts payable	\$ 4,216,350	\$ 1,756,771	\$ 1,674,817	\$ 1,495,874	\$ 1,073,799
Notes payable	—	—	—	12,500	25,000
Dividend payable	—	—	297,338	—	—
Accrued accounts	958,373	957,822	769,227	714,218	1,647,298
Real estate mortgages payable—current	171,900	127,300	316,150	475,500	324,000
Provision for federal taxes on income—estimated	1,517,063	965,891	738,708	916,303	1,283,000
TOTAL CURRENT LIABILITIES	6,863,686	3,807,784	3,796,240	3,614,395	4,353,097
Deferred notes payable	—	—	—	—	12,500
Tenants deposits under leases	16,840	3,540	3,440	4,615	7,583
Real estate bonds and mortgages payable—deferred	2,367,275	2,201,075	2,366,600	1,540,150	1,948,850
Reserve for repainting stores	252,196	224,464	215,154	181,171	135,004
Reserve for flood losses	24,750	6,750	—	—	—
Capital stock:					
Preferred—5% cumulative \$20 par value	6,976,875	6,977,015	6,977,165	6,977,695	—
Common—\$10 par value	11,893,540	11,893,540	11,893,540	11,893,540	—
Capital—no par value	—	—	—	—	10,089,446
Surplus	18,708,661	17,146,128	15,929,588	15,488,090	22,071,325
TOTAL LIABILITIES AND CAPITAL	\$47,103,823	\$42,260,296	\$41,181,727	\$39,699,656	\$38,617,805

GRANT STORES

ALABAMA (6)

Anniston
Birmingham
Decatur
Gadsden
Huntsville
Mobile

ARKANSAS (1)

Pine Bluff

CALIFORNIA (10)

Berkeley
Fresno
Huntington Park
Los Angeles (2)
Oakland
Sacramento
San Jose
Santa Barbara
Santa Monica

COLORADO (1)

Denver

CONNECTICUT (26)

Bridgeport (2)
Danbury
Danielson
Derby
Greenwich
Hartford
Manchester
Meriden
Middletown
Milford
New Britain
New Haven
New London
New Milford
Putnam
Rockville
Southington
Stamford
Thomaston
Thompsonville
Torrington
Wallingford
Waterbury
Willimantic
Winsted

DELAWARE (3)

Dover
Milford
Wilmington

FLORIDA (6)

Jacksonville
Lakeland
Miami
Orlando
Tampa (2)

GEORGIA (7)

Albany
Atlanta
Augusta
Brunswick
Macon
Savannah
Valdosta

ILLINOIS (16)

Alton
Aurora
Belleville
Chicago (3)
Decatur
East St. Louis
Elgin
Galesburg
Jacksonville
Joliet
Peoria
Quincy
Rockford
Springfield

INDIANA (9)

Evansville
Fort Wayne
Gary
Hammond
Indianapolis
Michigan City
New Albany
Newcastle
South Bend

IOWA (4)

Clinton
Davenport
Ottumwa
Waterloo

KANSAS (4)

Hutchinson
Pittsburg
Topeka
Wichita

KENTUCKY (2)

Louisville
Paducah

LOUISIANA (5)

Alexandria
Baton Rouge
Monroe
New Orleans
Shreveport

MAINE (12)

Bangor
Bath
Brunswick
Calais
Fort Kent
Gardiner
Lewiston
Old Town
Portland
Sanford
Skowhegan
Van Buren

MARYLAND (4)

Baltimore
Cambridge
Crisfield
Hagerstown

MASSACHUSETTS (72)

Adams
Arlington
Athol
Beverly
Boston (12)
Brockton
Cambridge
Chelsea
Chicopee
Clinton
Danvers
Easthampton
Everett
Fall River
Fitchburg
Frammingham
Franklin
Gardner
Gloucester
Great Barrington
Haverhill
Holyoke
Hudson
Hyannis
Lawrence
Leominster
Lynn (2)
Malden
Marlboro
Medford
Melrose
Middleboro
Milford
Natick
Needham
New Bedford (2)
Norfolk Downs
North Adams
North Attleboro
Norwood
Palmer
Peabody
Pittsfield
Plymouth
Reading
Rockland
Salem

Somerville
Stoneham
Taunton
Wakefield
Waltham
Ware
Watertown
Webster
Westfield
Weymouth
Woburn
Worcester

MICHIGAN (9)

Detroit (2)
Grand Rapids
Hamtramck
Kalamazoo
Lansing
Muskegon
Saginaw
St. Joseph

MINNESOTA (4)

Minneapolis
Rochester
St. Paul
Winona

MISSISSIPPI (1)

Jackson

MISSOURI (4)

Kansas City
St. Joseph
St. Louis
Springfield

NEBRASKA (2)

Lincoln
Omaha

NEW HAMPSHIRE (9)

Berlin
Concord
Derry
Dover
Franklin
Manchester
Nashua
Portsmouth
Rochester

NEW JERSEY (27)

Bayonne
Bloomfield
Bridgeton
Burlington
Camden
Collingswood
Dover

Hackensack
Hoboken
Jersey City (3)
Millville
Mount Holly
Newark (3)
New Brunswick
Passaic
Paterson
Rahway
Riverside
Somerville
Trenton
Union City
Vineland
West New York

NEW YORK (85)

Albany
Amsterdam
Batavia
Bath
Bay Shore, L. I.
Beacon
Binghamton
Buffalo (7)
Camandaigua
Carthage
Catskill
Corning
Cortland
Damasville
Elmira
Freeport, L. I.
Geneva
Glen Cove, L. I.
Glens Falls
Gouverneur
Great Neck, L. I.
Hempstead, L. I.
Herkimer
Hudson Falls
Huntington, L. I.
Ilion
Jamestown
Johnstown
Kenmore
Kingston
Lackawanna
Lockport
Lynbrook, L. I.
Mechanicville
Medina
Middletown
New York
 Bronx (4)
 Brooklyn (2)
 Manhattan (5)
 Queens (4)
New Rochelle
Niagara Falls
Olean
Oneida
Oneonta
Oyster Bay, L. I.
Patchogue, L. I.
Penn Yan
Port Chester
Port Jervis
Poughkeepsie
Riverhead, L. I.
Rochester

Rockville Center, L. I.
Rome
Schenectady
Seneca Falls
Syracuse (2)
Tonawanda
Troy
Utica
Watertown
Warsaw
Westfield
Wellsville
White Plains
Yonkers

NORTH CAROLINA (10)

Charlotte
Concord
Elizabeth City
Goldsboro
Greensboro
Greenville
Hickory
Kannapolis
Kinston
Raleigh

NORTH DAKOTA (1)

Fargo

OHIO (26)

Akron
Barberton
Bellaire
Bellevue
Cambridge
Canton
Circleville
Cleveland
Columbus
Conneaut
Dayton
Delphos
East Liverpool
Elyria
Kent
Lima
Mansfield
Marion
Middletown
New Philadelphia
Newark
Norwalk
Portsmouth
Steubenville
Toledo
Youngstown

OKLAHOMA (2)

Muskogee
Oklahoma City

PENNSYLVANIA (65)

Altoona
Bangor
Beaver Falls

Berwick
Blairsville
Bloomsburg
Bristol
Butler
Carlisle
Chambersburg
Columbia
Conshohocken
Danville
Elizabethtown
Ellwood City
Erie
Freeland
Greenville
Hazleton
Homestead
Honesdale
Huntingdon
Jeannette
Johnstown
Lancaster
Lock Haven
McKeesport
Mahanoy City
Middletown
Milton
Mount Pleasant
Mount Union
New Kensington
Norristown
Oil City
Palmerton
Philadelphia (4)
Phillipsburg
Phoenixville
Pittston
Pittsburgh (2)
Pottstown
Pottsville
Reading
Sayre
Scranton
Shamokin
Shippensburg
Sunbury
Tarentum
Titusville
Towanda
Uniontown
Upper Darby
Washington
Waynesboro
West Chester
Wilkinsburg
Williamsport
Windber
York

RHODE ISLAND (5)

Newport
Pawtucket
Providence
West Warwick
Woonsocket

SOUTH CAROLINA (3)

Charleston
Columbia
Greenville

TENNESSEE (5)

Bristol
Chattanooga
Kingsport
Memphis
Nashville

TEXAS (13)

Abilene
Beaumont
Brownsville
Corpus Christi
Dallas
El Paso
Fort Worth
Galveston
Houston
Port Arthur
San Antonio
Waco
Wichita Falls

UTAH (2)

Ogden
Salt Lake City

VERMONT (5)

Bennington
Burlington
Newport
St. Johnsbury
Springfield

VIRGINIA (13)

Charlottesville
Clifton Forge
Danville
Fredericksburg
Norfolk
Harrisonburg
Hopewell
Lynchburg
Newport News
Petersburg
Portsmouth
Richmond
Roanoke

WEST VIRGINIA (5)

Clarksburg
Elkins
Huntington
Parkersburg
Weston

WISCONSIN (8)

Fond du Lac
Green Bay
Janesville
Madison
Milwaukee (2)
Oshkosh
Sheboygan

492 STORES IN 39 STATES

